

Project Review-Section III

REDACTED - ATTORNEY CLIENT

Mr. P.A. Risley

Product Management

Marketing and Training Services

Area 4H

Re: Short Term Payment Plan Illustrations
(AI and Acc Dividends Illustrations)

- ☐ Approved for print (without change)
- ☐ Approved for print (with changes as noted on the attached copy)
- ☒ Not approved for print at this time

Remarks: The illustrations have been reviewed by [REDACTED] P.I. Consulting Svc. Actuarial-Math. and the Contract Bureau. Suggested revisions are indicated. However additional questions have been raised. A copy of Mr. K. Kirk's (Act-Math) memo is attached. The illustrations can not be approved until the questions he raised are resolved. Also attached is a copy of Mr. K. Peck's (P.I. Consulting Svc) memo. In addition to his comment on the notice he has brought up some points on the illustration. Please let us know when the questions are resolved.

Mr. [REDACTED] Lakner Extension 3893
 Actuarial Personal
 Personal Insurance Contract Bureau
 Area 21V

Date February 4, 1980

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MP401149715

MP401149716

Mr. Jamie Lakner
Personal Insurance Contract Bureau
Actuarial Personal

Re Short Term Payment Plan Illustrations

We have attempted to spotcheck the attached two manually prepared illustrations and we have the following comments.

The basic guaranteed values on both illustrations are found to be accurate. However, we have many problems with illustrative values. One of the reasons we are finding differences is that we are unsure as to what exactly the illustration is suppose to be showing. The values are listed next to policy years but, are they values as of the beginning of the year, or as of the end of the year. Also, do the illustrative figures assume that the next year's premium is paid, and if so, how was it paid? We have also found inconsistencies with the rounding being used in the illustrations and we disagree with the life expectancy shown.

Due to the above we have not been able to verify the accuracy of these illustrations. To do so we will need to know the answers to our questions above as well as what the intention of the illustration is. Is it to demonstrate the shortest payment period possible or just an arbitrary shortened period?

Once we have this information we will be able to accurately check these illustrations.

Kevin Kirk
Kevin Kirk
Mathematical Section
PLI Rates & Values
Actuarial Personal

January 25, 1980

cc Hutter

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MP401149717

Mr. Jamie Lakner
Actuarial Personal
Personal Insurance Contract Bureau
Area 21-V

Re Short Term Payment Plan Illustrations

We have the following comments concerning the above.

1. We object to the use of the phrase "Short Term Payment Plan" as a title for this type arrangement. The implementation of this plan, fourteen years after issue, can hardly be called "short term". We would prefer retention of less misleading title such as "Premium Reduction Plan" rather than the suggested title.
2. The production of the illustrations can proceed prior to the approval and finalization of the notice that is to be forwarded with the policies. Therefore, we will withhold our comments on the notice until further consultation with P.L.I. Methods and Planning. We would first have to hear what administrative procedures are involved in signaling the start of such a plan before commenting on the text of the notice.
3. We strongly suggest that for both illustrations there be a column added to show the "Net Premium Due", illustrating the amount still due after the annual dividend is applied toward premium reduction. In this manner, we would still be conveying the idea that there is a premium amount to be paid which will be withdrawn from the cash value of A.I. or from D.I. as the case may be. This may necessitate an additional page of the illustration, however, as the illustration stands now, there is no indication that a premium is still due each year.

Perhaps an additional column showing Annual Premium should also be added, since there is no guarantee that the annual dividend plus the cash value of A.I. or D.I. will be sufficient to pay the premiums.
4. There should be a note on the illustration that if you want to have premiums paid in this manner, then you must change your dividend option to premium reduction after the 13th policy year. Also, the

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note should mention that in the 14th policy year you must notify us that you want the net premium due paid by withdrawal from the cash value of A.I. or D.I. if applicable.

Any further comments that we may have concerning the notice will be forthcoming after discussion with P.L.I. Methods and Planning.

K. A. Pelker

K. A. Pelker
P. I. Consulting Services

January 29, 1980

KAP:gtc

cc: Mr. J. J. Ryan

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MF402-49718



Metropolitan
Life Insurance Company

MP401149719

Accelerated
SHORT TERM PAYMENT PLAN

For Payment of Future Premiums From the Cash Value of Paid-up Additional Insurance or Accumulated Dividends with Interest

IMPORTANT NOTICE - PLEASE KEEP WITH YOUR POLICY

Name of Insured _____ Name of Owner _____
Policy Number _____ Issue Date _____
Plan of Insurance _____ Amount of Insurance _____
Classification _____ Sex _____ Age at Issue _____
Benefits Included _____

After premiums for your policy have been paid for _____ years, the Short Term Payment Plan allows you the opportunity to pay future premiums each year through the use of dividends, by withdrawing from the cash value of additional insurance or accumulated dividends with interest the amount which, together with the current dividend, would pay the current premium. To implement the Short Term Payment Plan, ask your Metropolitan Sales Representative to verify that the dividends credited to your policy together with the dividend scale then in effect are sufficient to accomplish this objective. If dividends are sufficient, the mode of premium payment should be changed to annual if another mode of premium payment is in effect.

When your annual premium notice is received each year, the owner of the policy should complete and sign the following note, attach it to the premium notice and return it to Metropolitan:

"Please pay the annual premium by withdrawing from the cash value of additional insurance or accumulated dividends with interest the amount which together with the current dividend is sufficient to pay the annual premium. I am enclosing a check for any loan interest due."

based on
"The number of years that premium payments in cash are required under the Short Term Payment Plan is determined by the dividend scale in effect at the time the policy is issued. Dividends, however, are not guaranteed. Changes in dividend scales after issue may increase or decrease the number of years indicated. In addition, if future dividend scales decrease after the Short Term Payment Plan is implemented, it may be possible that dividends may not be sufficient in some future years to pay the full current premium."

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→ Form No.

Sheet A

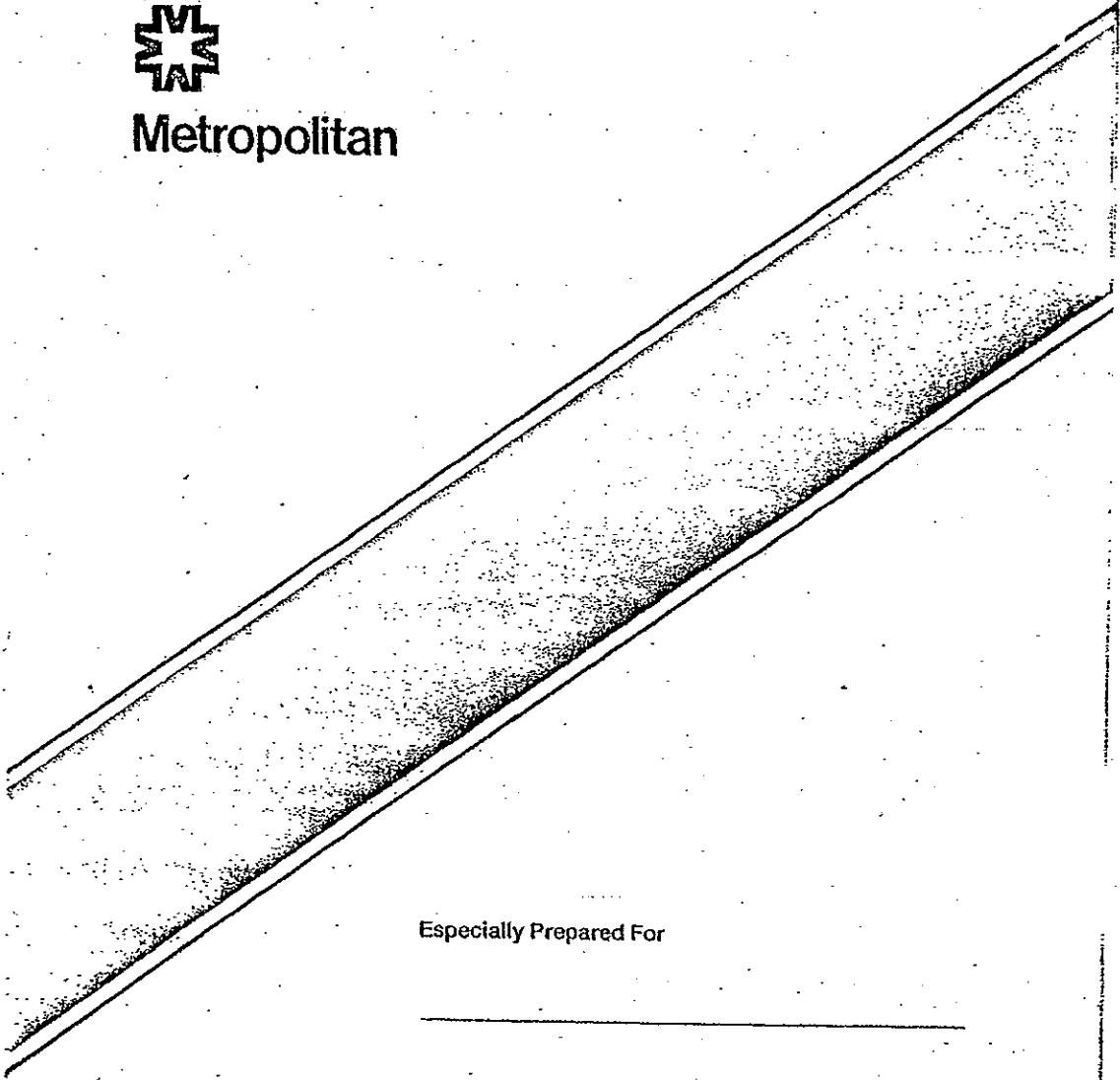
After premiums have been paid for _____*
years, you must notify Metropolitan each
year by sending a copy of the following
paragraph, signed and attached to your
annual premium notice.

"Please credit my current dividend toward
the annual premium. Pay the rest of the
premium by withdrawing the required
sum from the cash value of additional
insurance or dividends left on deposit
with interest. I am enclosing a check
for any loan interest due."

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Metropolitan



Especially Prepared For

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MP401149721

PLAN OF WHOLE LIFE
INSURANCE
CLASSIFICATION PREFERRED

AGE 35-MALE

AMOUNT OF
INSURANCE \$100,000
YEARS PAYABLE
LIFETIME

ANNUAL PREMIUM
\$1,792.00

BASIC POLICY



IP4C 9722

Dividends And Any Other Illustrative Figures Shown Are Not Guarantees Or Estimates For The Future.*

Short Term Payment Plan Illustration

Annual Dividends to Accumulate at Interest †

The Short Term Payment Plan illustration assumes that premiums for the first thirteen years will be paid in cash and that future premiums will be paid each year through the use of dividends by withdrawing from the accumulated dividends with interest the amount which together with the current dividend would pay the current premium.

Summary for period shown

	Age 65	Age 76 &
Total Cash Outlay **	\$ 23,296	\$ 23,296
Guaranteed Death Benefit	100,000	100,000
Accumulated Dividends with Interest	7,129	33,281
Terminal Dividend	3,500	3,500
Illustrative Death Benefit	110,629	136,781
Guaranteed Cash Value	50,700	69,100
Accumulated Dividends with Interest	7,129	33,281
Terminal Dividend	3,500	3,500
Illustrative Total Cash Value	61,329	105,881
Guaranteed Monthly Life Income - (10 Years Certain)	316.88	567.31
Illustrative Monthly Life Income - (10 Years Certain)	502.63	1,046.51
Interest - Adjusted (5%) Indexes per \$1,000:		
Life Insurance Surrender Cost Index	For 10 Yrs. \$ 5.40	For 20 Yrs. \$ 2.96
Life Insurance Net Payment Cost Index	15.17	12.61
Equivalent Level Annual Dividend	2.75	5.31

* Dividends based on January 1980 scale.

† 3% guaranteed; 6.65% current; interest is subject to federal income tax.

** The cash outlay illustrated shows the results if the current dividend scale continues without change. If future dividends are reduced, it is possible that the accumulated dividends with interest together with the current dividend may not be sufficient in some future years to pay the full current premium.

& Age at life expectancy.

Illustrative monthly life income based on January 1979 settlement option rates.

Is this correct for a male age 35

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PLAN OF WHOLE LIFE
INSURANCE
CLASSIFICATION PREFERRED

AGE 35 MALE AMOUNT OF:
INSURANCE \$100,000
ANNUAL PREMIUM YEARS PAYABLE
\$1,792.00 LIFETIME

 Metropolitan
Life Insurance Company

BASIC POLICY

MP401149723

Dividends And Any Other Illustrative Figures Shown Are Not Guarantees Or Estimates For The Future.*

Short Term Payment Plan Illustration
Annual Dividends to Accumulate at Interest ‡

Policy Year	Cash Outlay **	Annual Dividend	Accumulated Dividends With Interest	Guaranteed Cash Value	Illustrative Total Cash Value	Illustrative Death Benefit ##
1	\$1,792	\$ NONE	\$ NONE	\$ NONE	\$ NONE	\$100,000
2	1,792	117	117	100	217	100,117
3	1,792	189	314	1,100	1,414	100,314
4	1,792	228	563	2,500	3,063	100,563
5	1,792	282	882	4,000	4,882	100,882
6	1,792	343	1,284	5,500	6,784	101,284
7	1,792	404	1,773	7,100	9,073	101,973
8	1,792	461	2,352	8,700	11,452	102,752
9	1,792	522	3,030	10,300	14,030	103,730
10	1,792	588	3,820	12,000	16,720	104,720
11	1,792	649	4,723	13,700	19,623	105,923
12	1,792	723	5,760	15,400	22,660	107,260
13	1,792	795	6,146	17,200	24,046	108,846
14	0	867	4,563	19,000	25,563	108,563
15	0	945	4,019	20,800	27,119	108,319
16	0	1,116	3,611	22,700	28,811	108,111
17	0	1,192	3,251	24,600	30,551	105,951
18	0	1,263	2,938	26,500	32,238	105,738
19	0	1,340	2,681	28,400	34,081	105,681
20	0	1,419	2,487	30,300	35,987	105,687
21	0	1,492	2,352	32,300	38,052	105,752
22	0	1,740	2,457	34,300	40,257	105,957
23	0	1,839	2,667	36,300	42,467	106,167
AGE 65	0	2,402 +	7,129	50,700	61,329	110,629
AGE 70	0	3,010 +	15,722	59,600	78,822	119,222
AGE 76 &	0	3,359 +	33,281	69,100	105,881	136,781

* Dividends based on January 1980 scale.

‡ 3% guaranteed; 6.65% current; interest is subject to federal income tax.

** The cash outlay illustrated shows the results if the current dividend scale continues without change. If future dividends are reduced it is possible that the accumulated dividends with interest together with the current dividend may not be sufficient in some future years to pay the full current premium.

+ Annual dividend greater than annual premium.

& Age at life expectancy.

Guaranteed cash value, accumulated dividends and any terminal dividend.

Basic insurance, accumulated dividends and any terminal dividend.

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MP4011-19724

Term Plans

Term Life Insurance policies and Term Insurance Riders provide insurance protection, but do not provide any cash surrender values except for the Term Life Insurance to age 65 policy which provides a cash surrender value but not a loan value prior to age 65.

Dividend Information

Metropolitan is a mutual Company; it has no stockholders and is operated for the benefit of its policyholders and contractholders. The excess of (a) premiums or annuity purchase payments and investment earnings, over (b) the amounts needed to assure that contractual benefits will be provided, forms the basis for determining the annual and terminal dividends that are returned to policyholders and contractholders. (A terminal dividend is payable upon termination of a Life or Endowment policy if premiums have been paid on it for a sufficient period — generally 10 to 15 years.)

The amount available for dividends depends on changing business, economic and other conditions. Dividend scales will, therefore, be changed from time to time. This illustration shows what the results would be if the current dividend scale were continued without change. Also, if dividends are used to purchase one-year term insurance, the cost of one-year term insurance is based upon current rates. The illustrative dividend figures, as well as the cost of one-year term insurance, should not be regarded as either guarantees or estimates of future results.

Illustrative Life Income

Any illustrative life income figure shown is based upon our rates for life income settlements which are currently commencing. These rates are more favorable than the minimum rates provided by the policy, but are not guarantees or estimates for settlements which commence at a future date. The rates for future settlements will be changed from time to time, depending on the conditions at the date when settlement payments commence. Once the monthly life income payments begin they will be fixed in amount.

Interest Adjusted Indexes

These Indexes, if shown, are rough gauges of the comparative cost of the policy under stated assumptions. They provide additional means for evaluating policy data and can be useful in comparing similar plans of insurance — a lower index being better than a higher one. (Indexes are inapplicable for certain plans and, hence are not shown.)

The time when payments are made either by or to the policyholder can have a significant effect on costs, because money earns interest. This principle is recognized in the calculation of Interest-Adjusted Indexes, where an assumed rate of interest is applied in averaging premiums, dividends, and cash values payable over a specified period of time. It should be understood, though, that these Indexes are necessarily theoretical and approximate since they involve various assumptions (including the rate of interest used, the dividends being paid in cash, and the continuation of current dividend scales). The Indexes should not be considered substitutes for actual policy data, nor do they measure the value of an agent's service or the soundness and quality of a company.

Indexes apply to the basic policy only, including the cost of any Disability Waiver of Premiums Benefit if so indicated. Note that the indexes exclude premiums for any optional riders such as Additional Indemnity or Family Income.

Note — Figures, if shown, such as "Total Premiums Less Illustrative Cash Value", "Total Premiums Less Total Dividends", "Net Increase or Decrease in Business Surplus", etc. should not be used in policy cost comparisons because they do not take into consideration the effect interest could have on payments made at different points in time. However, they can sometimes be useful, e.g. for accounting purposes. The word "Surplus" in Business Insurance situations refers to the effect on the account books of the business purchasing the policy; however, policies that are individually owned by the partners or stockholders would have no effect on the surplus of the business.

Any application for insurance will be subject to Metropolitan's underwriting rules.

01416-4 H.O. (2-79) Printed in U.S.A.

(Reverse side of illustration)

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NP4011149725



Metropolitan
Life Insurance Company

SHORT TERM PAYMENT PLAN

For Payment of Future Premiums From the Cash Value of Paid-up Additional Insurance or Accumulated Dividends with Interest

IMPORTANT NOTICE - PLEASE KEEP WITH YOUR POLICY

Name of Insured _____ Name of Owner _____
 Policy Number _____ Issue Date _____
 Plan of Insurance _____ Amount of Insurance _____
 Classification _____ Sex _____ Age at Issue _____
 Benefits Included _____

After premiums for your policy have been paid for _____ years, the Short Term Payment Plan allows you the opportunity to pay future premiums each year through the use of dividends, by withdrawing from the cash value of additional insurance or accumulated dividends with interest the amount which, together with the current dividend, would pay the current premium. To implement the Short Term Payment Plan, ask your Metropolitan Sales Representative to ^{verify} that the dividends credited to your policy together with the dividend scale then in effect are sufficient to accomplish this objective. If dividends are sufficient, the mode of premium payment should be changed to annual if another mode of premium payment is in effect.

When your annual premium notice is received each year, the owner of the policy should complete and sign the following note, attach it to the premium notice and return it to Metropolitan:

"Please pay the annual premium by withdrawing from the cash value of additional insurance or accumulated dividends with interest the amount which together with the current dividend is sufficient to pay the annual premium. I am enclosing a check for any loan interest due."

*See
Sheet
A*

*The number of years ^{based on} that premium payments in cash are required under the Short Term Payment Plan is determined by the dividend scale in effect at the time the policy is issued. Dividends, however, are not guaranteed. Changes in dividend scales after issue may increase or decrease the number of years indicated. ^{through} In addition, if future dividend scales decrease after the Short Term Payment Plan is implemented, it may be possible that dividends may not be sufficient in some future years to pay the full current premium. *Also,*

→ Form No.

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Insert A

After premiums have been paid for _____*
years, you must notify Metropolitan each
year by sending a copy of the following
paragraph, signed and attached to your
annual premium notice.

"Please credit my current dividend toward
the annual premium. Pay the rest of the
premium by withdrawing the required
sum from the cash value of additional
insurance or dividends left on deposit
with interest. I am enclosing a check
for any loan interest due."

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